

of September, heavily involved with leading houses in the corn trade. Firms in the India trade were crippled by the long credits afforded and were compelled to suspend. Merchants whose own business was sound were ruined by their reckless speculations in railroad securities. The directors of the Bank of England realized that heroic measures were required to save the bank and on October 2, 1847, advanced the bank rate to five and a half per cent, and refused to make advances on stock or on Exchequer bills. The bullion had fallen again to £8,565,000 and the banking reserve to £3,409,000. The refusal to make advances on public securities caused wild excitement on the stock exchange, a fall in the price of Consols, and the disappearance of coin and bank-notes into private hoards. The Bank of England was reduced to the choice of bringing business to a standstill, by refusing all further discounts and pulling down the entire commercial structure in a shapeless mass of ruins, or breaking through the shackles placed upon its action by the Bank Act of 1844.

The government waited until the situation was desperate, in the hope that the pressure would pass away, as that of April had done, without the necessity for suspending the law. The reserve dropped to £1,176,000 and the government finally acted, late on Saturday, October 23d, and notified the bank that they would seek a bill of indemnity from Parliament if notes were issued in excess of the limit imposed by the Act at a rate of discount not less than nine per cent. The effect was magical. The knowledge that money might be had to meet demands instantly destroyed the desire for it. The bank prepared £400,000 in additional notes, but it was not found necessary to issue them. Notes which had been hoarded, under the impression that the limit of issues fixed by the Act would soon be reached and all relief cut off from the business community, came pouring from their hiding places; gold which had been stored in safe deposit vaults was brought back to the banks for deposit, and both the bullion and the banking reserve of the Bank of England rapidly returned to safe proportions.